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DEPARTMENT FOR AF/SPG AND AF/EPS
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E.O. 12958: DECL: 09/10/2016
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SUBJECT: TRUCKING COMPANIES STOP SERVICE TO KHARTOUM

Classified By: P/E Chief E. WHITAKER, reason: sections 1.4 (b) and (d)

¶1. (C) Summary: Trucking between Port Sudan and Khartoum has been halted by a strike by trucking companies, purportedly because of a dispute over a new tax imposed by Red Sea State. The dispute has the potential to disrupt nearly all shipments, including food and humanitarian supplies. Truckers may attempt to use the dispute to increase rates in an effort to make up for recent increases in fuel prices. The stoppage is expected to continue for several days. End Summary.

¶2. (C) The owner of the largest trucking company in Sudan, Ahmed El-Nefeidi, told Charge and Emboffs on September 10 the all truck transport between Port Sudan and Khartoum has been stopped for the past four days. El-Nefeidi stated the reason for the strike is a dispute with the state government of Red Sea State over imposition of a new commodities tax of SD 5000 (USD 25) on all cargoes. However, in a separate conversation, the chairman of a rival trucking company noted that the stoppage also presents trucking firms with an opportunity to increase tariffs and make up for increased fuel prices.

¶3. (C) El-Nefeidi explained that trucking companies are seeking discussions with the governor of Red Sea State to try to resolve the situation, but the governor will not be available on Monday, September 11, as he will be organizing a demonstration to protest UN Resolution 1706. The earliest the governor will be free is September 12, and discussions may take some time, so it is likely the stoppage will last several days. El-Nefeidi also said that he has received calls from the largest flour mill in Khartoum expressing concern about the transport shutdown. Transportation of flour, sugar, cement, and other commodities potentially will be effected.

¶4. (C) El-Rayah Osman, the Chairman of Dambawi Transport, another large trucking company, told Econoff that the trucking industry in Sudan is facing serious problems of over-capacity. Over the past couple of years the government made USD 100 million in credit available through the Central Bank for purchase of trucks. New operators entered the transport sector in large numbers. Osman alleged that many businessmen who obtained loans have connections to the governing National Congress Party. The expectation was that the transportation sector would boom as a result of the CPA, the demand created by UN deployment, and rapid economic growth in the South. The expected growth has not materialized and the supply of trucks exceeds the demand. The rates for moving cargo from Port Sudan to Khartoum has fallen from about USD 140 to around USD 80 per ton in the past year. Many of the new entrants to the sector are highly leveraged, typically with two-year loans, and are facing

problems in making their payments. The recent increases in fuel prices have put further pressure on the operators. Osman predicted that the trucking companies will try to use the dispute over the state tax to get the tariff back to about USD 130 per ton.

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